

**Wexford-Missaukee
Intermediate School District
Cadillac, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

Wexford-Missaukee Intermediate School District

Cadillac, Michigan

BOARD OF EDUCATION AND MANAGEMENT

June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Wexford-Missaukee Intermediate School District
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wexford-Missaukee Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2008 on our consideration of Wexford-Missaukee Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

This section of the Wexford-Missaukee Intermediate School District's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of three main parts:

1) *Management's Discussion and Analysis*

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June, 1999. The Management's Discussion and Analysis represents management's review of the District's financial performance during the fiscal year ended June 30, 2008 and is a requirement of GASB 34. This discussion and analysis is intended to be read in conjunction with the District's financial statements.

2) *Basic financial statements*

The basic financial statements include two kinds of statements that present different views of the District.

- The Statement of Net Assets and Statement of Activities

The District-wide statements report information about the district as a whole and are reported as governmental activities.

The two District-wide statements report the District's net assets and how they have changed. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the district consideration of non-financial factors, such as changes in the property tax base, physical condition of school buildings and political conditions at the state level should also be taken into account.

Business-type activities as interpreted by the Michigan Department of Education do not occur in this District.

- Fund Financial Statements

The fund financial statements provide more detailed information about the District's major funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending for a particular purpose. Some funds are required by State law and others the District's Board of Education establishes to control and manage money for particular purposes.

Governmental Funds: The District's basic services are included in governmental funds, which focus on how money flows in and out and the balances left at year-end that are available for spending.

MAJOR FUNDS for purpose of these statements are the:

- General Fund - including the:
 - General Education Activity
 - ASAP-PIE Activity
 - Technology Activity
 - REMC II Repair Center Activity
- Special Education Fund
- Vocational Education Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

All other funds are presented in one combined column as **NONMAJOR GOVERNMENTAL FUNDS**. These would be:

- General Education Capital Projects
- Special Education Capital Projects Fund
- Vocational Education Capital Projects Fund
- Durant Capital Projects

Fiduciary Funds: The District is the fiduciary, or trustee, for various student group activities or trust beneficiaries. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes. These activities are excluded from the District's government-wide financial statements because the funds cannot be used to finance District operations. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets.

The financial statements also include Notes to the Financial Statements, which explains some of the information in the statements as well as provides additional data.

3) *Required supplementary information*

The financial statements are followed by a section of required supplementary information that further explains and supports the financial statements by providing a comparison of the District's budget for the year.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

Net Assets

The Statement of Net Assets provides a perspective of the District as a whole and may serve over time as a useful indicator of a district's financial position. In Figure A-1 a comparative analysis of fiscal year 2008 is made to fiscal year 2007.

Figure A-1
Condensed Statement of Net Assets
as of June 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Assets		
Current and other assets	\$14,781,192	\$13,840,505
Capital Assets	9,991,356	10,170,166
Total Assets	24,772,548	24,010,671
Liabilities		
Current Liabilities	1,666,885	1,575,098
Long-Term Liabilities	100,759	91,853
Total Liabilities	1,767,644	1,666,951
Net Assets		
Invested in capital assets	9,991,356	10,170,166
Unrestricted	13,013,548	12,173,554
Total Net Assets	\$23,004,904	\$22,343,720

Wexford-Missaukee Intermediate School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

In this Condensed Statement of Net Assets, assets exceed liabilities by \$23.0 million and the District is able to report positive balances in both categories of net assets. The \$13.0 million in unrestricted net assets represents the accumulated results of all past years' operations. It means that if all assets were liquidated and all bills were paid off at June 30, 2008, including all noncapital liabilities (compensated absences, for example), there would have been \$13.0 million remaining. The operating results of the District will have a significant impact on the change in unrestricted net assets from year to year.

Changes in Net Assets

Similar to the Statement of Net Assets, the Statement of Activities reports on the District as a whole. A summary of the District-wide results of operations for the year ended June 30, 2008 is found in Figure A-2, Changes in Net Assets from Operations, along with a comparison to year ended June 30, 2007.

The cost of the District's governmental activities this year was approximately \$17.8 million. Certain activities were partially funded by those who benefited from the programs (\$785,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5.5 million). The remaining portion of the governmental activities was paid with \$10.5 million in taxes, \$1.0 million in State Aid, and \$669,000 of other revenues, such as interest and general entitlements.

The District experienced an increase in net assets of approximately \$661,000 in the current year.

Figure A-2
Change in Net Assets from Operations
Years Ended June 30, 2008 and 2007

	Governmental Activities	
	2008	2007
Revenues		
Program Revenues		
Charges for Service	\$785,173	\$1,024,121
Operating/Capital Grants and Contributions	5,481,837	3,522,580
General Revenues		
Property Taxes	10,465,635	9,820,429
State School Aid-unrestricted	1,019,460	2,746,025
Other	668,910	603,737
Total Revenues	18,421,015	17,716,892
Functions/Program Expenses		
Instruction	5,512,389	5,072,147
Supporting services	9,521,982	9,109,453
Community services	66,438	96,077
Payments to other districts	2,090,272	1,972,665
Unallocated depreciation	568,750	461,608
Total Expenses	17,759,831	16,711,950
Increase(Decrease) in Net Assets	\$661,184	\$1,004,942

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

In Figure A-3, the cost of four of the School District's functions and depreciation as well as each function's net cost (total cost less revenues generated by the activities) is presented. A comparison shows while Total Cost of Services increased 6.3% from 2007 to 2008, the Net Cost of Services (costs funded by general revenues) decreased 5.5%. Program revenues covered 27% of the District costs in 2007 and 35% in 2008.

Figure A-3
Net Cost of Governmental Activities
Years Ended June 30, 2007 and 2008

	Total Cost of Services		Net Cost of Services	
	2007	2008	2007	2008
Governmental Activities				
Instruction	\$5,072,147	\$5,512,389	\$3,638,270	\$3,125,521
Support services	9,109,452	9,521,982	6,755,605	6,414,980
Community services	96,077	66,438	62,738	12,539
Payments to other districts	1,972,666	2,090,272	1,247,028	1,371,031
Unallocated Depreciation	461,608	568,750	461,608	568,750
Total Governmental Activities	\$16,711,950	\$17,759,831	\$12,165,249	\$11,492,821

BALANCES & TRANSACTIONS OF INDIVIDUAL FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$13,416,584. This reflects an increase of \$875,621 from 2007's combined Fund Balances of \$12,540,963.

BUDGETARY ANALYSIS

The District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year. State law also requires the budget be amended to ensure expenditures do not exceed appropriations. Figure A-4 indicates the original budget adopted in June 2007 and the final budget adopted in June 2008 as well as the variance between the actual and final budgets.

Figure A-4
Budgetary Comparison Schedule
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance from Final Budget
<u>Revenues and Other Financing Sources</u>				
General Education Fund	\$1,799,177	\$2,071,983	\$2,111,2145	\$39,262
Special Education Fund	10,279,382	10,315,293	10,668,897	353,604
Vocational Education Fund	5,119,708	5,518,890	5,526,343	7,453
<u>Expenditures and Other Financing Uses</u>				
General Education Fund	1,966,582	2,131,020	2,017,999	113,021
Special Education Fund	10,604,518	11,147,815	10,884,113	263,702
Vocational Education Fund	5,032,786	5,157,753	4,784,468	373,285

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

- Several budget amendments were made during the fiscal year. The General Education budget was amended more often due to receipt of several new grants
- Investment rates declined throughout the fiscal year decreasing interest earnings to \$387,932 from \$548,634 in the prior year. A decrease of \$160,702 from 2006-2007.
- There was a significant variance between budgeted and actual revenues in the Special Education Fund. This variance was caused by late arriving (after the final budget amendment) property tax and state aid revenue. It is not unusual for state aid adjustments to be made on July and August payments which are accrued into the prior year. Such adjustments are difficult to anticipate and to budget for.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, as indicated in Figure A-5, the District had approximately \$10 million invested in a broad range of capital assets, including buildings, furniture and equipment, vehicles, and land net of applicable accumulated depreciation. See Note C for more details.

Figure A-5
Capital Assets
Years Ended June 30, 2007 and 2008

	Balance June 30, 2007	Balance June 30, 2008
Land	\$ 76,640	\$ 76,640
Buildings & Additions, net	9,337,317	9,168,615
Equipment & Furniture, net	687,181	636,529
Vehicles, net	69,028	109,572
Total Capital Assets	\$10,170,166	\$9,991,356

Debt

The District has no debt in the form of bonds, loans or notes. The District obligations for compensated absences can be found in the Notes to the Financial Statements on page 17 and totaled \$403,036 at June 30, 2008.

KNOWN FACTS, DECISIONS, OR CONDITIONS AFFECTING THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances:

- The District is negotiating with a local district to provide comprehensive business services. If successful, the district will begin providing those services early in the 2008-09 school year.
- Non-Health related insurance premiums for the following insurances will decrease for 2008-09:

Errors and Omissions and Property/Casualty/Fleet insurance will continue to decrease.

Workers' compensation will decrease by 12% with the experience modification factor dropping from 1.07 to 1.06.

- Federal dollars for the Special Education grants are expected to remain stable as are State funds.

Wexford-Missaukee Intermediate School District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Requests for Information

This report is designed to give an overview of the financial conditions of the Wexford-Missaukee Intermediate School District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Superintendent's Office.

BASIC FINANCIAL STATEMENTS

Wexford-Missaukee Intermediate School District

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
<hr/>	
ASSETS	
Current assets	
Cash and cash equivalents	\$ 12,046,461
Investments	2,000,000
Accounts receivable	2,022
Taxes receivable	65,935
Accrued interest receivable	40,443
Due from other governmental units	589,258
Inventories	37,073
	<hr/>
Total current assets	14,781,192
Noncurrent assets	
Capital assets, not being depreciated	76,640
Capital assets being depreciated, net	9,914,716
	<hr/>
Total noncurrent assets, net	9,991,356
	<hr/>
TOTAL ASSETS	24,772,548
 LIABILITIES	
Current liabilities	
Accounts payable	113,449
Accrued payroll	781,511
Other accrued liabilities	312,275
Due to other governmental units	66,904
Unearned revenue	90,469
Current portion of accrued severance pay	302,277
	<hr/>
Total current liabilities	1,666,885
Noncurrent liabilities	
Noncurrent portion of accrued severance pay	100,759
	<hr/>
TOTAL LIABILITIES	1,767,644
	<hr/>
NET ASSETS	
Invested in capital assets	9,991,356
Unrestricted	13,013,548
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TOTAL NET ASSETS	\$ 23,004,904
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See accompanying notes to financial statements.

Wexford-Missaukee Intermediate School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	\$ 5,512,389	\$ 134,230	\$ 2,252,638	\$ -	\$ (3,125,521)
Supporting services	9,521,982	447,549	2,605,278	54,175	(6,414,980)
Community services	66,438	-	53,899	-	(12,539)
Payments to other districts	2,090,272	203,394	515,847	-	(1,371,031)
Unallocated depreciation	568,750	-	-	-	(568,750)
Total governmental activities	<u>\$ 17,759,831</u>	<u>\$ 785,173</u>	<u>\$ 5,427,662</u>	<u>\$ 54,175</u>	(11,492,821)
General revenues					
Property taxes					10,465,635
State school aid - unrestricted					1,019,460
Investment earnings					448,287
Miscellaneous					<u>220,623</u>
Total general revenues					<u>12,154,005</u>
Change in net assets					661,184
Net assets, beginning of year					<u>22,343,720</u>
Net assets, end of year					<u>\$ 23,004,904</u>

See accompanying notes to financial statements.

Wexford-Missaukee Intermediate School District

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2008

	General	Special Education	Vocational Education
ASSETS			
Cash and cash equivalents	\$ 1,813,065	\$ 5,992,426	\$ 2,951,663
Investments	-	-	-
Accounts receivable	182	119	1,721
Taxes receivable	38,784	15,182	11,969
Accrued interest receivable	15,448	23,616	1,379
Due from other governmental units	201,196	337,896	50,166
Due from other funds	72,000	216,000	212,000
Inventories	-	-	37,073
TOTAL ASSETS	<u>\$ 2,140,675</u>	<u>\$ 6,585,239</u>	<u>\$ 3,265,971</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,435	\$ 82,606	\$ 25,945
Accrued payroll	42,722	566,752	172,037
Other accrued liabilities	15,543	219,710	77,022
Due to other governmental units	6,889	50,543	9,472
Due to other funds	1,295	15,280	9,324
Deferred revenue	55,127	35,342	-
TOTAL LIABILITIES	124,011	970,233	293,800
FUND BALANCES			
Reserved for			
Inventories	-	-	37,073
Unreserved			
Designated for capital projects	-	-	-
Undesignated, reported in			
General fund	2,016,664	-	-
Special revenue funds	-	5,615,006	2,935,098
TOTAL FUND BALANCES	<u>2,016,664</u>	<u>5,615,006</u>	<u>2,972,171</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,140,675</u>	<u>\$ 6,585,239</u>	<u>\$ 3,265,971</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,289,307	\$ 12,046,461
2,000,000	2,000,000
-	2,022
-	65,935
-	40,443
-	589,258
25,899	525,899
-	37,073
<u>\$ 3,315,206</u>	<u>\$ 15,307,091</u>

\$ 2,463	\$ 113,449
-	781,511
-	312,275
-	66,904
500,000	525,899
-	90,469

502,463	1,890,507
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-	37,073
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2,812,743	2,812,743
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-	2,016,664
-	8,550,104

<u>2,812,743</u>	<u>13,416,584</u>
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<u>\$ 3,315,206</u>	<u>\$ 15,307,091</u>
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Wexford-Missaukee Intermediate School District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds **\$ 13,416,584**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 16,476,627	
Accumulated depreciation is	<u>(6,485,271)</u>	
		9,991,356

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Accrued severance pay	<u>(403,036)</u>
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Net assets of governmental activities **\$ 23,004,904**

See accompanying notes to financial statements.

Wexford-Missaukee Intermediate School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2008

	General	Special Education	Vocational Education
REVENUES			
Local sources	\$ 890,704	\$ 5,830,163	\$ 4,808,805
State sources	1,114,874	2,090,354	187,067
Federal sources	105,667	2,748,380	530,471
TOTAL REVENUES	2,111,245	10,668,897	5,526,343
EXPENDITURES			
Current			
Instruction	-	3,103,870	2,372,891
Supporting services	1,887,999	5,919,843	1,815,267
Community services	-	66,438	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	1,887,999	9,090,151	4,188,158
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	223,246	1,578,746	1,338,185
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(130,000)	(50,000)	(250,000)
Payments to other districts	-	(1,743,962)	(346,310)
TOTAL OTHER FINANCING SOURCES (USES)	(130,000)	(1,793,962)	(596,310)
NET CHANGE IN FUND BALANCES	93,246	(215,216)	741,875
Fund balances, beginning of year	1,923,418	5,830,222	2,230,296
Fund balances, end of year	\$ 2,016,664	\$ 5,615,006	\$ 2,972,171

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 60,354	\$ 11,590,026
54,175	3,446,470
-	3,384,518
114,529	18,421,014
-	5,476,761
10,893	9,634,002
-	66,438
277,920	277,920
288,813	15,455,121
(174,284)	2,965,893
430,000	430,000
-	(430,000)
-	(2,090,272)
430,000	(2,090,272)
255,716	875,621
2,557,027	12,540,963
\$ 2,812,743	\$ 13,416,584

Wexford-Missaukee Intermediate School District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ 875,621**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 389,940
Depreciation expense	<u>(568,750)</u>

Excess of depreciation expense over capital outlay	(178,810)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in accrued severance pay	<u>(35,627)</u>
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Change in net assets of governmental activities	<u><u>\$ 661,184</u></u>
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See accompanying notes to financial statements.

Wexford-Missaukee Intermediate School District

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	Agency Fund
ASSETS	
Cash	<u>\$ 21,079</u>
LIABILITIES	
Due to individuals and student groups	<u>\$ 21,079</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Wexford-Missaukee Intermediate School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Wexford-Missaukee Intermediate School District (primary government). The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the District as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

- b. Special Education Fund - The Special Education Fund is used to account for money or other resources provided from all sources including local extra voted millage, and Federal and State revenues received for the operation of special education programs and/or the distribution of funds to other local education agencies for operating special education programs.
- c. Vocational Education Fund - The Vocational Education Fund is used to account for money or other sources provided from all sources including local extra voted millage for the operation of vocational technical education programs. The Vocational Education fund also is used to account for Federal and State revenues received to operate job-training programs.

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the required supplementary information to the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level for the District; however, they are maintained at the program level for control purposes.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- g. The budget, as presented, has been amended in a legally permissible manner. Four (4) supplementary appropriations were made during the year with the last approved June 16, 2008.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking and savings accounts and pooled investment funds with an original maturity of 90 days or less. Cash equivalents are recorded at market value.

Investments consist of certificates of deposit with an original maturity of greater than 90 days. Investments are recorded at market value.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of expendable supplies held for consumption or use in the various educational programs conducted by the District (i.e., Vocational Education). Reported inventories are equally offset by a fund balance reserve in the fund financial statements, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	40 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	8 years

The District has no assets that would be classified as infrastructure assets.

10. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements.

11. Deferred/Unearned Revenues

The unexpended balance of various federal and/or state categorical and local grants is carried forward as deferred/unearned revenue until the period in which eligible expenditures are incurred.

12. Long-Term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Currently The District has no long-term obligations other than compensated absences.

13. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the collecting entity. The District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected. The District is permitted by the Constitution of the State of Michigan of 1963 to levy taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Special Education, Vocational Education, and Debt Service Fund expenditures. For the year ended June 30, 2008, the District levied the following mills per \$1,000 of assessed valuation:

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED13. Property Taxes - continued

<u>Fund</u>	<u>Mills</u>
General Fund	.2714
Special Education Fund	3.1705
Vocational Education Fund	2.5000

14. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

15. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data is issued under separate cover as supplementary information to the financial statements.

16. Comparative Data

Comparative data for the prior year has not been presented in the financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

As of June 30, 2008, the carrying amounts of the District's deposits were \$7,986,415 and the bank balance was \$8,335,621 of which \$321,148 was covered by federal depository insurance. The balance of \$8,014,473 was uninsured and uncollateralized.

Investments

As of June 30, 2008, the carrying amounts and market values for each type of investment as reported in the cash, cash equivalents, and investments captions on the combined balance sheet are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uninsured and unregistered for which the securities are held by the District's agent in the District's name - MLAFP - Fixed Income portfolio	\$ 3,000,000	\$ 3,000,000	84 days
Uncategorized pooled investment funds MLAFP - Cash Management Funds	<u>3,081,125</u>	<u>3,081,125</u>	N/A
	<u>\$ 6,081,125</u>	<u>\$ 6,081,125</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, the District's investments in the MLAFP investments were rated AAAM by Standard and Poor's.

Interest rate risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDConcentration of credit risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

As of June 30, 2008, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$12,046,461	\$ 21,079	\$12,067,540
Investments	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
	<u>\$14,046,461</u>	<u>\$ 21,079</u>	<u>\$14,067,540</u>

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 76,640	\$ -	\$ -	\$ 76,640
Capital assets being depreciated:				
Buildings and additions	13,257,602	157,187	-	13,414,789
Equipment and furniture	2,703,418	152,870	(125,520)	2,730,768
Vehicles	<u>234,049</u>	<u>79,883</u>	<u>(59,502)</u>	<u>254,430</u>
Total capital assets being depreciated	16,195,069	389,940	(185,022)	16,399,987
Less accumulated depreciation for:				
Buildings and additions	(3,920,285)	(325,889)	-	(4,246,174)
Equipment and furniture	(2,016,237)	(203,522)	125,520	(2,094,239)
Vehicles	<u>(165,021)</u>	<u>(39,339)</u>	<u>59,502</u>	<u>(144,858)</u>
Total accumulated depreciation	<u>(6,101,543)</u>	<u>(568,750)</u>	<u>185,022</u>	<u>(6,485,271)</u>
Total capital assets being depreciated, net	<u>10,093,526</u>	<u>(178,810)</u>	<u>-0-</u>	<u>9,914,716</u>
Governmental activities capital assets, net	<u>\$10,170,166</u>	<u>\$ (178,810)</u>	<u>\$ -0-</u>	<u>\$ 9,991,356</u>

Depreciation expense of \$568,750 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Wexford-Missaukee Intermediate School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the District for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Severance Pay	\$ <u>367,408</u>	\$ <u>453,803</u>	\$ <u>(418,175)</u>	\$ <u>403,036</u>	\$ <u>302,277</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

Severance Pay - In recognition of services to the District, a severance payment is made to eligible employees according to their respective employment contracts.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who are currently not vested are calculated by multiplying total unused sick pay amounts at June 30, 2008 for all non-vested employees by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years. These amounts are generally funded by the fund in which individual employees are charged.

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008 are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ <u>72,000</u>
Due to Special Education Fund from:	
Nonmajor governmental funds	\$ <u>216,000</u>
Due to Vocational Education Fund from:	
Nonmajor governmental funds	\$ <u>212,000</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 1,295
Special Education Fund	15,280
Vocational Education Fund	<u>9,324</u>
	\$ <u>25,899</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:

General Fund	\$ 130,000
Special Education Fund	50,000
Vocational Education Fund	<u>250,000</u>
	<u>\$ 430,000</u>

NOTE G: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2007, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2008 was \$6,955,789 of which \$5,323,492 was for members who have elected the MIP option; the District's total payroll was \$7,339,471.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 are required to contribute based on a graduated rate; 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Wexford-Missaukee Intermediate School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

For the period of July 1, 2007 to September 30, 2007, the District was required by State statute to contribute 17.74% of covered compensation for all wages to the Plan. For the period of October 1, 2007 to June 30, 2008, the District was required by State statute to contribute 16.72% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2008, and the preceding two years, is as follows:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2008	\$ 216,175	\$ 1,179,996	\$ 1,396,171
2007	203,140	1,212,817	1,415,957
2006	189,023	1,045,922	1,234,945

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>
2008	4.0%	17.0%
2007	4.0	17.4
2006	4.0	16.0

NOTE H: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, crime, fleet, garage, boiler, equipment, and employee dishonesty. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE I: FLEXIBLE BENEFITS PLAN

In January, 1996, the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all employees, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by Wexford-Missaukee Intermediate School District.

Wexford-Missaukee Intermediate School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE J: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year, the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and non-plaintiff District an agreed upon amount for past underfunding of special education. Wexford-Missaukee Intermediate School District, a non-plaintiff District, was awarded \$1,625,243 in the settlement. The funds will be paid as follows:

1. One-half to be paid over the next ten (10) years beginning November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6).
2. One-half to be paid over the next fifteen (15) years beginning on or after November 15, 1998. The District elected to not bond for the balance of funding. The funds are to be used in accordance with provision of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE K: DURANT SINKING FUND

The District elected to receive one-half of the Special Education underfunding settlement in annual payments to be paid over the next fifteen (15) years beginning on November 15, 1998. Since the District did not have any voter-approved or other limited tax obligation debt the funds were required to be deposited into a sinking fund. The Durant Capital Projects Fund records capital project activities funded with these annual state payments and any other local funds generated with these funds (i.e., interest). For this fund, the District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2008, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Funds			
Special Education Fund			
Instruction	\$ 3,032,703	\$ 3,103,870	\$ 71,167

REQUIRED SUPPLEMENTARY INFORMATION

Wexford-Missaukee Intermediate School District

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 779,973	\$ 805,750	\$ 890,704	\$ 84,954
State sources	935,824	1,150,978	1,114,874	(36,104)
Federal sources	83,380	115,255	105,667	(9,588)
TOTAL REVENUES	1,799,177	2,071,983	2,111,245	39,262
EXPENDITURES				
Current				
Supporting services	1,876,069	1,986,521	1,887,999	98,522
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(76,892)	85,462	223,246	137,784
OTHER FINANCING USES				
Transfers to other funds	(25,000)	(130,000)	(130,000)	-0-
Payments to other districts	(65,513)	(14,499)	-	14,499
TOTAL OTHER FINANCING USES	(90,513)	(144,499)	(130,000)	14,499
NET CHANGE IN FUND BALANCE	(167,405)	(59,037)	93,246	152,283
Fund balance, beginning of year	1,923,418	1,923,418	1,923,418	-0-
Fund balance, end of year	<u>\$ 1,756,013</u>	<u>\$ 1,864,381</u>	<u>\$ 2,016,664</u>	<u>\$ 152,283</u>

Wexford-Missaukee Intermediate School District

Special Education Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 5,548,894	\$ 5,691,690	\$ 5,830,163	\$ 138,473
State sources	1,908,000	1,918,951	2,090,354	171,403
Federal sources	2,822,488	2,704,652	2,748,380	43,728
TOTAL REVENUES	10,279,382	10,315,293	10,668,897	353,604
EXPENDITURES				
Current				
Instruction	3,072,254	3,032,703	3,103,870	(71,167)
Supporting services	5,958,636	6,073,712	5,919,843	153,869
Community services	100,027	71,400	66,438	4,962
TOTAL EXPENDITURES	9,130,917	9,177,815	9,090,151	87,664
EXCESS OF REVENUES OVER EXPENDITURES	1,148,465	1,137,478	1,578,746	441,268
OTHER FINANCING USES				
Transfers to other funds	(50,000)	(50,000)	(50,000)	-0-
Payments to other districts	(1,423,601)	(1,920,000)	(1,743,962)	176,038
TOTAL OTHER FINANCING USES	(1,473,601)	(1,970,000)	(1,793,962)	176,038
NET CHANGE IN FUND BALANCE	(325,136)	(832,522)	(215,216)	617,306
Fund balance, beginning of year	5,830,222	5,830,222	5,830,222	-0-
Fund balance, end of year	\$ 5,505,086	\$ 4,997,700	\$ 5,615,006	\$ 617,306

Wexford-Missaukee Intermediate School District

Vocational Education Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 4,386,022	\$ 4,782,578	\$ 4,808,805	\$ 26,227
State sources	193,741	196,367	187,067	(9,300)
Federal sources	539,945	539,945	530,471	(9,474)
TOTAL REVENUES	5,119,708	5,518,890	5,526,343	7,453
EXPENDITURES				
Current				
Instruction	2,477,822	2,550,816	2,372,891	177,925
Supporting services	1,895,754	1,947,727	1,815,267	132,460
TOTAL EXPENDITURES	4,373,576	4,498,543	4,188,158	310,385
EXCESS OF REVENUES OVER EXPENDITURES	746,132	1,020,347	1,338,185	317,838
OTHER FINANCING USES				
Transfers to other funds	(250,000)	(250,000)	(250,000)	-0-
Payments to other districts	(409,210)	(409,210)	(346,310)	62,900
TOTAL OTHER FINANCING USES	(659,210)	(659,210)	(596,310)	62,900
NET CHANGE IN FUND BALANCE	86,922	361,137	741,875	380,738
Fund balance, beginning of year	2,230,296	2,230,296	2,230,296	-0-
Fund balance, end of year	<u>\$ 2,317,218</u>	<u>\$ 2,591,433</u>	<u>\$ 2,972,171</u>	<u>\$ 380,738</u>

OTHER SUPPLEMENTARY INFORMATION

Wexford-Missaukee Intermediate School District

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2008

		Capital	
	General	Special	Vocational
	Capital	Education	Education
	Projects	Special	Capital
	Projects	Projects	Projects
ASSETS			
Cash and cash equivalents	\$ 352,971	\$ 526,131	\$ 340,893
Investments	150,000	990,000	750,000
Due from other funds	1,295	13,985	9,324
TOTAL ASSETS	<u>504,266</u>	<u>1,530,116</u>	<u>1,100,217</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 78	\$ 686	\$ 1,699
Due to other funds	72,000	180,000	212,000
TOTAL LIABILITIES	72,078	180,686	213,699
FUND BALANCES			
Unreserved			
Designated for capital projects	432,188	1,349,430	886,518
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 504,266</u>	<u>\$ 1,530,116</u>	<u>\$ 1,100,217</u>

<u>Projects</u>	
<u>Durant Capital Projects</u>	<u>Total</u>
\$ 69,312	\$ 1,289,307
110,000	2,000,000
1,295	25,899
<u>180,607</u>	<u>3,315,206</u>
\$ -	\$ 2,463
<u>36,000</u>	<u>500,000</u>
36,000	502,463
<u>144,607</u>	<u>2,812,743</u>
<u>\$ 180,607</u>	<u>\$ 3,315,206</u>

Wexford-Missaukee Intermediate School District

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	General Capital Projects	Capital Special Education Capital Projects	Vocational Education Capital Projects
REVENUES			
Local sources	\$ 11,204	\$ 33,240	\$ 13,828
State sources	-	-	-
TOTAL REVENUES	11,204	33,240	13,828
EXPENDITURES			
Current			
Supporting services	-	-	-
Capital outlay	161,462	39,473	76,985
TOTAL EXPENDITURES	161,462	39,473	76,985
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(150,258)	(6,233)	(63,157)
OTHER FINANCING SOURCES			
Transfers from other funds	130,000	50,000	250,000
NET CHANGE IN FUND BALANCES	(20,258)	43,767	186,843
Fund balances, beginning of year	452,446	1,305,663	699,675
Fund balances, end of year	<u>\$ 432,188</u>	<u>\$ 1,349,430</u>	<u>\$ 886,518</u>

<u>Projects</u>	
<u>Durant Capital Projects</u>	<u>Total</u>
\$ 2,082	\$ 60,354
54,175	54,175
56,257	114,529
10,893	10,893
-	277,920
10,893	288,813
45,364	(174,284)
-	430,000
45,364	255,716
99,243	2,557,027
<u>\$ 144,607</u>	<u>\$ 2,812,743</u>

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REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Wexford-Missaukee Intermediate School District
Cadillac, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Wexford-Missaukee Intermediate School District financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Wexford-Missaukee Intermediate School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wexford-Missaukee Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is describe below.

2008-1 BUDGETS

Condition: As noted in the required supplementary information to the financial statements, there was one function in the Special Education Fund that exceeds the amount appropriated.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in this one area where the overage occurred.

Recommendation: We recommend the District monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Management of the District is currently reviewing procedures related to budgetary compliance in accordance with State law.

The District's response to the finding identified in our audit is described above. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the administration and Board of Education of Wexford-Missaukee Intermediate School District, others within the District, the Federal awarding agencies, and the pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 29, 2008

**Wexford-Missaukee
Intermediate School District**

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2008

Wexford-Missaukee Intermediate School District

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
of Wexford-Missaukee Intermediate School District
Cadillac, Michigan

Compliance

We have audited the compliance of Wexford-Missaukee Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Wexford-Missaukee Intermediate School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal programs is the responsibility of Wexford-Missaukee Intermediate School District's management. Our responsibility is to express an opinion on Wexford-Missaukee Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Wexford-Missaukee Intermediate School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wexford-Missaukee Intermediate School District's compliance with those requirements.

In our opinion, Wexford-Missaukee Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Wexford-Missaukee Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Wexford-Missaukee Intermediate School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wexford-Missaukee Intermediate School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District as of and for the year ended June 30, 2008, and have issued our report thereon dated August 29, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the administration and the Board of Education of Wexford-Missaukee Intermediate School District, others within the District, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 29, 2008

Wexford-Missaukee Intermediate School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Restated Prior Years' Expenditures
<u>GENERAL FUND</u>				
U.S. Department of Education Passed through Michigan Department of Education Title IID 2007-08	84.318	084240PRO9	\$ 155,000	\$ -
Passed through Michigan Department of Education and Eastern Upper Peninsula Intermediate School District Title IID 2007-08	84.318	0742402-1	74,154	20,000
Math & Science Partnership 2007-08	84.366	N/A	5,412	-
Passed through State Department of Education Improving Teacher Quality 2007-08 Regular	84.367	0805200708	390	-
Title V 2007-08 Regular	84.298	0802500708	701	-
TOTAL GENERAL FUND EXPENDITURES OF FEDERAL AWARDS			235,657	20,000
<u>SPECIAL EDUCATION FUND</u>				
U.S. Department of Education Passed through State Department of Education Special Education 94-142 ^{(c)(d)} Flow Through	84.027A			
2007-09 Regular		0804500708	1,861,596	-
2006-08 Regular		0704500607	1,842,852	1,842,852
State Initiated				
2006-07 Department		070490TS	60,000	60,000
2007-08 Department		080490TS	60,000	-
2007-08 Department		0804400708	4,000	-
2007-08 Department		0804400708A	4,000	-
2007-08 Competitive		080480EOSD	50,000	-
			3,882,448	1,902,852

<u>Balance July 1, 2007</u>	<u>Cash Receipts/ In-Kind Payments</u>	<u>Expenditures</u>	<u>Balance June 30, 2008</u>
<u>Accrued or (Deferred) Revenue</u>			<u>Accrued or (Deferred) Revenue</u>
\$ -	\$ 45,000	\$ 45,000	\$ -0-
20,000	74,154	54,164	-0-
-	5,412	5,412	-0-
-	390	390	-0-
-	701	701	-0-
20,000	125,657	105,667	-0-
-	1,861,596	1,861,596	-0-
277,941	277,941	-	-0-
5,796	5,796	-	-0-
-	60,000	60,000	-0-
-	4,000	4,000	-0-
-	4,000	4,000	-0-
-	50,000	50,000	-0-
283,737	2,263,333	1,979,596	-0-

Wexford-Missaukee Intermediate School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Restated Prior Years' Expenditures
<u>SPECIAL EDUCATION FUND - CONTINUED</u>				
U.S. Department of Education - continued				
Passed through State Department of Education - continued				
Special Education 94-142	84.173A			
Preschool Incentive ^{(c)(d)}				
2007-09 Regular		0804600708	\$ 60,239	\$ -
Infant/Toddler Early Intervention	84.181A			
2007-09 Regular		081340190	95,317	-
U.S. Department of Health and Human Services				
Passed through State				
Department of Human Services				
Medicaid Assistance Program				
Title XI	93.778			
School Based Services 2006-07				
Transportation ^(b)		2981900	3,728	-
Administration		2981900	81,610	-
			85,338	-0-
TOTAL SPECIAL EDUCATION FUND				
EXPENDITURES OF FEDERAL AWARDS			4,123,342	1,902,852
<u>VOCATIONAL EDUCATION FUND</u>				
U.S. Department of Labor				
Passed through State Department of Education and Michigan Department of Career Development				
Vocational Education	84.048A			
2007-08 Perkins III		0835208012-5	510,781	-
Traverse Bay Area Intermediate School District				
Vocational Education	84.243			
2006-07 Tech-Prep Education		TP-4748-C	29,555	29,555
2007-08 Tech-Prep Education		N/A	19,690	-
			49,245	29,555
TOTAL VOCATIONAL EDUCATION FUND				
EXPENDITURES OF FEDERAL AWARDS			560,026	29,555
TOTAL FEDERAL AWARDS			\$ 4,919,025	\$ 1,952,407

<u>Balance July 1, 2007</u>	<u>Cash Receipts/ In-Kind Payments</u>	<u>Expenditures</u>	<u>Balance June 30, 2008</u>
<u>Accrued or (Deferred) Revenue</u>			<u>Accrued or (Deferred) Revenue</u>
\$ -	\$ 60,239	\$ 60,239	\$ -0-
-	95,317	95,317	-0-
-	3,728	3,728	-0-
-	81,610	81,610	-0-
-0-	85,338	85,338	-0-
283,737	2,504,227	2,220,490	-0-
-	510,781	510,781	-0-
902	902	-	-0-
-	19,690	19,690	-0-
902	20,592	19,690	-0-
902	531,373	530,471	-0-
<u>\$ 304,639</u>	<u>\$ 3,161,257</u>	<u>\$ 2,856,628</u>	<u>\$ -0-</u>
	(e)	(a)	

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Wexford-Missaukee Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (e) represent explanations that cross reference to amounts and headings on the Schedule of Expenditures of Federal Awards.

- (a) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports except as noted below. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (b) The reimbursements for these programs are based on a fixed unit rate for each allowable service provided. Expenditures have been reported to the extent of earned revenues.
- (c) Denotes program tested as "major program".
- (d) Denotes programs required to be clustered by the United States Department of Education.
- (e) The amounts reported in this schedule as cash received are in agreement with the amounts in the Grant Auditor Report.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the June 30, 2008 Financial Statements to the expenditures of the District administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Vocational Education Fund</u>
Revenues from Federal sources per financial statements	\$ 105,667	\$ 2,748,380	\$ 530,471
<u>Less: Medical services portion of the Medicaid School Based Services program which is not subject to the Single Audit Act</u>	<u>-</u>	<u>(527,890)</u>	<u>-</u>
Federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 105,667</u>	<u>\$ 2,220,490</u>	<u>\$ 530,471</u>

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REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Wexford-Missaukee Intermediate School District
Cadillac, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wexford-Missaukee Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Wexford-Missaukee Intermediate School District's basic financial statements and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Wexford-Missaukee Intermediate School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Wexford-Missaukee Intermediate School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wexford-Missaukee Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as 2007-1.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the administration and Board of Education of Wexford-Missaukee Intermediate School District, others within the District, the pass-through grantors, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 29, 2008

Wexford-Missaukee Intermediate School District

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not
considered to be material weakness(es)?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not
considered to be material weakness(es)?

_____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported by
Section 510(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027A, 84.173A

Special Education Cluster

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

2008-1 BUDGETS

Condition: As noted in the required supplementary information in the financial statements, there was one function in the Special Education Fund that exceeded the amounts appropriated.

Criteria: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Effect: The District has not maintained adequate control over budgetary compliance in accordance with State law in this one area where the overage occurred.

Wexford-Missaukee Intermediate School District

SCHEDULE OF FINDINGS - CONTINUED

Year Ended June 30, 2008

Section II - Financial Statement Findings - continued

2008-1 BUDGETS - CONTINUED

Recommendation: We recommend the District monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

Corrective Action Response: Management of the District is currently reviewing procedures related to budgetary compliance in accordance with State law.

Section III - Federal Award Findings and Questioned Costs

None

Wexford-Missaukee Intermediate School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2008

FINDINGS/NONCOMPLIANCE

Financial Statement Findings:

No prior audit findings.

Federal Award Findings:

No prior audit findings.

Wexford-Missaukee Intermediate School District

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS PROVIDED TO SUBRECIPIENTS

Year Ended June 30, 2008

<u>Program Title/ Subrecipient (School District)</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>(Memo Only) Prior Years' Expenditures</u>
<u>Vocational Education Fund</u>				
Perkins III				
2007-08	84.048			
Charlevoix-Emmet ISD		0835208012-5	\$ 115,515	\$ -
Traverse Bay ISD		0835208012-5	293,695	-
TOTAL VOCATIONAL EDUCATION FUND			<u>\$ 409,210</u>	<u>\$ -0-</u>

<u>Balance</u> <u>July 1, 2007</u> <u>Due From/(To)</u> <u>Subrecipient</u>	<u>Cash</u> <u>Transferred</u> <u>to</u> <u>Subrecipient</u>	<u>Subrecipient</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30, 2008</u> <u>Due From/(To)</u> <u>Subrecipient</u>
\$ -	\$ 115,515	\$ 115,515	\$ -0-
-	293,695	293,695	-0-
<u>\$ -0-</u>	<u>\$ 409,210</u>	<u>\$ 409,210</u>	<u>\$ -0-</u>